

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>VILLAGE OF FREE SOIL</i>	County <i>MASON</i>
Audit Date <i>2-29-04</i>	Opinion Date <i>4-26-04</i>	Date Accountant Report Submitted to State: <i>6-29-04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as advised by the Michigan Department of Treasury.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. <i>PG 20</i>	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <i>BERTRAM & CO</i>			
Street Address <i>60 HARROW LN</i>	City <i>SAGINAW</i>	State <i>MI</i>	ZIP <i>48603</i>
Accountant Signature <i>Kenneth A. Bertram</i>			



**BERTHIAUME
& COMPANY**

Certified Public Accountants

60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Free Soil
Mason County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Free Soil, Michigan as of February 29, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Free Soil's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Free Soil, Michigan, as of February 29, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. Supplemental information data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Free Soil, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Berthiaume & Co.

April 26, 2004

VILLAGE OF FREE SOIL

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

February 29, 2004

	<i>GOVERNMENTAL FUND TYPES</i>		<i>PROPRIETARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>	<i>Totals (memorandum only) Primary Government</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Internal Service</i>	<i>General Fixed Assets</i>	
ASSETS:					
Cash and equivalents	\$ 40,201	\$ 62,564	\$ 14,201	\$ -	\$ 116,966
Taxes receivable	1,235	-	-	-	1,235
Due from other governmental units	2,608	5,637	-	-	8,245
Due from other funds	-	-	940	-	940
Property, plant, and equipment, net	-	-	12,173	22,637	34,810
Total assets	<u>\$ 44,044</u>	<u>\$ 68,201</u>	<u>\$ 27,314</u>	<u>\$ 22,637</u>	<u>\$ 162,196</u>
LIABILITIES AND FUND EQUITY:					
<i>Liabilities:</i>					
Accounts payable	\$ 266	\$ 270	\$ -	\$ -	\$ 536
Due to other funds	-	940	-	-	940
Total liabilities	<u>266</u>	<u>1,210</u>	<u>-</u>	<u>-</u>	<u>1,476</u>
<i>Fund Equity:</i>					
Investment in general fixed assets	-	-	-	22,637	22,637
Retained Earnings:					
Unreserved – undesignated	-	-	27,314	-	27,314
Fund Balance:					
Unreserved – undesignated	43,778	66,991	-	-	110,769
Total fund equity	<u>43,778</u>	<u>66,991</u>	<u>27,314</u>	<u>22,637</u>	<u>160,720</u>
Total liabilities & fund equity	<u>\$ 44,044</u>	<u>\$ 68,201</u>	<u>\$ 27,314</u>	<u>\$ 22,637</u>	<u>\$ 162,196</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FREE SOIL

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 29, 2004

	<i>GOVERNMENTAL FUND TYPES</i>		<i>Totals (memorandum only) Primary Government</i>
	<i>General</i>	<i>Special Revenue</i>	
REVENUES:			
Property taxes	\$ 6,818	\$ -	\$ 6,818
Intergovernmental:			
State grants	15,144	30,693	45,837
Interest and rentals	502	573	1,075
Other revenue	3,114	-	3,114
Total revenues	25,578	31,266	56,844
EXPENDITURES:			
General government	19,059	-	19,059
Public works	-	13,892	13,892
Other	5,920	-	5,920
Capital outlay	129	-	129
Total expenditures	25,108	13,892	39,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	470	17,374	17,844
Fund balances, beginning of year	43,308	49,617	92,925
Fund balances, end of year	\$ 43,778	\$ 66,991	\$ 110,769

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FREE SOIL

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL

For the Year Ended February 29, 2004

	<u>GENERAL FUNDS</u>			<u>SPECIAL REVENUE FUNDS</u>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
REVENUES:						
Property taxes	\$ 6,750	\$ 6,818	\$ 68	\$ -	\$ -	\$ -
Intergovernmental:						
State grants	15,000	15,144	144	29,700	30,693	993
Interest and rentals	300	502	202	-	573	573
Other revenue	200	3,114	2,914	-	-	-
Total revenues	22,250	25,578	3,328	29,700	31,266	1,566
EXPENDITURES:						
General government	34,990	19,059	15,931	-	-	-
Public safety	500	-	500	-	-	-
Public works	-	-	-	42,000	13,892	28,108
Other	5,750	5,920	(170)	-	-	-
Capital outlay	300	129	171	-	-	-
Total expenditures	41,540	25,108	16,432	42,000	13,892	28,108
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(19,290)	470	19,760	(12,300)	17,374	29,674
Fund balances, beginning of year	43,308	43,308	-	49,617	49,617	-
Fund balances, end of year	\$ 24,018	\$ 43,778	\$ 19,760	\$ 37,317	\$ 66,991	\$ 29,674

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FREE SOIL

ALL PROPRIETY FUNDS

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended February 29, 2004

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for services	\$ 7,610
Total revenues	<u>7,610</u>
OPERATING EXPENSES:	
Supplies	303
Repair and maintenance	634
Depreciation	1,391
Total expenses	<u>2,328</u>
Net income (loss)	5,282
Retained earnings, beginning of year	<u>22,032</u>
Retained earnings, end of year	<u>\$ 27,314</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FREE SOIL

ALL PROPRIETY FUND TYPES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended February 29, 2004

	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for rent	\$ 8,377
Cash payments to suppliers for goods and services	(937)
Net cash provided (used) for operating activities	<u>7,440</u>
Net increase (decrease) in cash and cash equivalents	7,440
Cash and cash equivalents, February 28, 2003	<u>6,761</u>
Cash and cash equivalents, February 29, 2004	<u>\$ 14,201</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income	\$ 5,282
Depreciation	1,391
Decrease in assets	<u>767</u>
Net cash provided (used) for operating activities	<u>\$ 7,440</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS

February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Free Soil, Mason County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

REPORTING ENTITY:

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Village contain all the Village funds and account groups that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Free Soil. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

BASIS OF PRESENTATION:

The financial activities of the Village are recorded in separate funds and account groups, categorized, and described as follows:

Governmental Funds:

- **General Fund** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. This fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, and other intergovernmental revenues.
- **Special Revenue Funds** - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds:

- **Internal Service Fund** - This fund accounts for the financing of goods and services provided by one department to other departments of the Village.

Account Group:

- **General Fixed Assets Account Group** - This account group presents the fixed assets of the local unit utilized in its general operations.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

PROPERTY TAXES:

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14, with the final collection date of March 1 before they are added to the county tax rolls. The Village 2003 tax roll millage rate was 4.2296 mills and the taxable value was \$1,596,232.

FIXED ASSETS:

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

INVESTMENTS:

Investments, if any, are stated at fair value.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

RECEIVABLES:

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

INVENTORIES:

Inventories of supplies are considered to be immaterial and are not recorded.

COMPENSATED ABSENCES (VACATION AND SICK LEAVE):

Employees are not allowed to accumulate vacation and sick pay and therefore none is recorded in the financial statements.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

ENCUMBRANCES:

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

POST-EMPLOYMENT BENEFITS:

The Village provides no post-employment benefits to past employees.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

NOTE 2 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of the United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the Council in accordance with *Public Act 196 of 1997* has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits, is as follows:

	<i>Carrying Amounts</i>
Total Deposits	<u>\$ 116,966</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<i>Bank Balances</i>
Insured (FDIC)	<u>\$ 107,790</u>
Total Deposits	<u>\$ 107,790</u>

The Village of Free Soil did not have any investments as of February 29, 2004.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

NOTE 3 – FIXED ASSETS

A summary of changes in general fixed assets follows:

	<i>Balance 2/28/03</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance 2/29/04</i>
Building	\$ 10,838	\$ -	\$ -	\$ 10,838
Equipment	11,799	-	-	11,799
Totals	<u>\$ 22,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,637</u>

A summary of propriety fund type plant, property and equipment follows:

Fixed assets	\$ 23,912
Accumulated depreciation	(11,739)
Net fixed assets	<u>\$ 12,173</u>

NOTE 4 – DEFERRED COMPENSATION PLAN

The Village does not have a deferred compensation plan.

NOTE 5 – PENSION PLAN

The Village does not have a pension plan.

NOTE 6 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

NOTE 7 – BUDGET VARIANCES

During 2003-2004 Village expenditures exceeded the budgeted amounts as follows:

	<i>Budget</i>	<i>Actual</i>	<i>Unfavorable Variance</i>
GENERAL FUND:			
Other expenditures	\$ 5,750	\$ 5,920	\$ (170)

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES

<i>Fund</i>	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
Internal Service – Equipment Fund	\$ 940	\$ -
Major Street Fund	-	713
Local Street Fund	-	227
	<u>\$ 940</u>	<u>\$ 940</u>

NOTE 9 – TRANSFERS IN AND TRANSFERS OUT

For the fiscal year ended February 29, 2004, the Village made no interfund transfers.

NOTE 10 – BUILDING PERMITS

The Village of Free Soil does not issue building permits. Building permits are issued by Mason County.

VILLAGE OF FREE SOIL

NOTES TO FINANCIAL STATEMENTS (continued)

February 29, 2004

NOTE 11 – TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

SUPPLEMENTAL MATERIAL

VILLAGE OF FREE SOIL

ALL SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

February 29, 2004

	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Totals</i>
ASSETS:			
Cash and equivalents	\$ 45,455	\$ 17,109	\$ 62,564
Due from other government units	4,740	897	5,637
Total assets	<u>\$ 50,195</u>	<u>\$ 18,006</u>	<u>\$ 68,201</u>
LIABILITIES AND FUND EQUITY:			
<i>Liabilities:</i>			
Accounts payable	\$ 210	\$ 60	\$ 270
Due to other funds	713	227	940
Total liabilities	<u>923</u>	<u>287</u>	<u>1,210</u>
<i>Fund Equity:</i>			
Fund Balance:			
Unreserved – undesignated	49,272	17,719	66,991
Total fund equity	<u>49,272</u>	<u>17,719</u>	<u>66,991</u>
Total liabilities and fund equity	<u>\$ 50,195</u>	<u>\$ 18,006</u>	<u>\$ 68,201</u>

VILLAGE OF FREE SOIL

ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended February 29, 2004

	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Totals</i>
REVENUES:			
Intergovernmental:			
State grants	\$ 25,221	\$ 5,472	\$ 30,693
Interest and rentals	382	191	573
Total revenues	25,603	5,663	31,266
EXPENDITURES:			
Public works	9,213	4,679	13,892
Total expenditures	9,213	4,679	13,892
Excess of revenues over (under) expenditures	16,390	984	17,374
Fund balances, beginning of year	32,882	16,735	49,617
Fund balances, end of year	\$ 49,272	\$ 17,719	\$ 66,991

VILLAGE OF FREE SOIL

GENERAL FUND

DETAIL STATEMENT OF REVENUES

For the Year Ended February 29, 2004

REVENUES

Current Taxes:

Property taxes	\$ 6,751
Property tax administration fee	67
	<u>6,818</u>

State Grants:

State revenue sharing	15,144
	<u>15,144</u>

Interest and Rents:

Interest earned	502
	<u>502</u>

Other Revenue:

Contributions and donations	3,070
Miscellaneous/other	44
	<u>3,114</u>

Total revenues	<u>\$ 25,578</u>
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VILLAGE OF FREE SOIL

GENERAL FUND

DETAIL STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended February 29, 2004

EXPENDITURES

General Government:

Board:

Personnel	\$ 1,789
Fringe benefits	65
Contracted services	4,204
Utilities	4,919
Other	143
	<u>11,120</u>

President:

Personnel	609
	<u>609</u>

Clerk:

Personnel	1,455
Supplies	63
Mileage/auto	173
Training	110
Other	26
	<u>1,827</u>

Audit:

Contracted services	1,785
	<u>1,785</u>

Treasurer:

Personal services	1,124
Supplies	358
	<u>1,482</u>

Elections:

Supplies	264
Printing and publications	22
	<u>286</u>

Community Activities – Tree Project:

Supplies	1,950
	<u>1,950</u>

Total general government	<u>19,059</u>
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VILLAGE OF FREE SOIL

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended February 29, 2004

EXPENDITURES, continued

Other:

Insurance and Bonds:

Insurance

5,920

5,920

Total other

5,920

Capital Outlay:

General Government:

Clerk

129

129

Total capital outlay

129

Total expenditures

\$ 25,108



**BERTHIAUME
& COMPANY**

Certified Public Accountants

60 Harrow Lane
Saginaw, Michigan 48603

(989) 791-1555
Fax (989) 791-1992

MANAGEMENT LETTER

To the Village Council
Village of Free Soil
Mason County, Michigan

We have completed our audit of the financial statements of the Village of Free Soil for the year ended February 29, 2004, and have issued our report thereon dated April 26, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Free Soil taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Village management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

April 26, 2004